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END OF THE BOOM?

THE EDITORS

TASKS OF THE AMERICAN LABOR MOVEMENT

TWO LABOR ECONOMISTS

African Peasant Revolution

RICHARD MORROCK

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NOTES FROM THE EDITORS

Between the time of putting this issue to bed and its distribution, the editors will have travelled to Milan, Italy and back, to receive the Omegna Award for 1966. As most MR readers know, the award of a million lire ($1,600) is given by the town of Omegna near Lake Como on the recommendation of a committee of former antifascist resistance fighters, for a literary work in Italian. MR's editors were honored in this way for a volume made up of editorials from the magazine, selected, translated, and published under the title *Teoria della Politica Estera Americana* (Theory of American Foreign Policy) by the publishing house of Einaudi, one of Italy's biggest. The prize money will be donated to MR Associates.

Our good friend Alex Crosby has figured out a way to get rich while helping MR. "I don't need to explain to you that I am a peculiar character, or why I am one," he writes, "so I shall go right to the point and ask whether MR would accept a batch of 25¢ stamps in lieu of a cash contribution. I should like to give $75 or $100 worth in the course of this year if my royalties are good enough. The 25¢ stamps are coil stamps. They would come to you in strips of 8 or 10. I should like to buy some and delete every 22nd and 23rd stamp, because there is a vertical line between those two stamps and that line is highly esteemed by stamp collectors." Our intention is to ask Alex for an accounting of the profits from selling 22nd and 23rd stamps and leave it up to his socialist conscience whether he should turn over all or only half to MR!

(*continued on inside back cover*)

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END OF THE BOOM?

As we have pointed out many times in these pages, economic fluctuations under capitalism are characteristically governed by variations in the rate of capital accumulation. Given the lopsided distribution of income and the insatiable drive of capitalists to accumulate, the rate of accumulation can be shown to be inherently unstable.

Start, for example, from a position of depressed output, meager profits, and high unemployment. Owing to the wearing out of old capital equipment and the availability of new products and new techniques, investment in new plant and equipment picks up. The result is to increase employment and wage payments, to raise output, and (because of improved operating rates) to expand profits more than total production. For a while an increased rate of investment leads to a greater expansion of output than of capacity—the increased capacity comes later, sometimes several years later. Meanwhile, the growth of output seems to offer additional opportunities for investment, and the expansion of profits provides the wherewithal to take advantage of these opportunities. The whole process is cumulative and normally gives rise to overoptimistic expectations on the part of individual capitalists who see their own markets expanding but have little conception of the inner contradictions of the system as a whole. Sooner or later one or both of two things happen. Overoptimism leads to excessive growth of inventories and/or new capacity begins to be put into production at a faster rate than the growth of output, leading to falling operating rates. Either development is enough to cause a decline in the rate of investment; and, if they happen simultaneously or nearly simultaneously, the decline in the rate of investment may be sharp. With investment on the decrease, the whole cumulative process reverses itself and continues until there is once more a revival of investment.

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One does not have to delve very deeply into the statistical record to see that the long boom of the Kennedy-Johnson period has conformed closely to this classical pattern, complete with the usual harbingers of a turning point. The following table (figures are in billions of dollars) compares key aspects of the economy in 1961 (the year in which the boom began) and 1966.

	1961	*1966*	*Percent Increase*
Gross National Product	520.1	739.5	42.3
Personal Incomes	416.8	580.4	39.2
Outlays on New Plant and Equipment	34.4	60.6	76.1
Corporate Profits After Taxes	27.2	48.1	76.8

Note that while total output (GNP) and personal incomes grew over the six-year period by approximately two fifths, both expenditures on new plant and equipment and corporate profits shot up by three quarters. That such a situation is untenable in the long run is obvious to all but very carefully trained economists and businessmen who cannot see the forest for the trees: you cannot indefinitely add to your productive capacity at nearly twice the rate you add to your output. The wonder is only that the process has been going on as long as it has (to this we shall return presently), certainly not that there are now signs that it is coming to an end.

As already noted, these signs have traditionally been the piling up of excess inventories and/or a decline in the operating rate (i.e., the percentage of capacity in use). Both are now very much in evidence. From 1961 through 1965, business inventories rose at an average rate of about 5½ billion dollars annually, certainly not out of line with the growth of GNP. But beginning in 1965, the rate of growth went up sharply. For 1966 as a whole it reached $11.4 billion, and, as stated in the March issue of *Fortune,* the latest Department of Commerce estimate for the last quarter of 1966 was a "monstrous $17.6 billion" annual rate. In January, *Fortune* reports, this rate of accumulation barely diminished: "So the inventory *surplus* is growing by more than 2 percent this quarter; stocks

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were already [by historical standards] 5 percent excessive, relative to final sales, at the end of last year."

As to changes in the utilization of capacity, the matter is succinctly summarized by *Business Week* (February 25): "Much of industry is already operating below capacity. While output flattened [in recent months], new plant coming on-stream did not. In January, the manufacturing operating rate was down to 87 percent of capacity—well below its peak of 90.5 percent set last spring and summer."

Before asking what is likely to happen next, we should perhaps ask why the boom is only now showing the classical symptoms of coming to an end. By the close of 1966, the upswing had lasted, with one or two pauses but no downturns, 70 months, which is 40 percent longer than the longest previous peacetime boom on record (50 months, from March, 1933, to May, 1937) and only 10 months shorter than the upswing associated with the Second World War (June, 1938, to February, 1945). What is the explanation? The answer, as we see it, must take into account at least four factors.

(1) Military spending has increased enormously during the whole Kennedy-Johnson period, and since the escalation of the war in Southeast Asia at an accelerating rate. What is officially (and mendaciously) classified as "National Defense" outlays were $44.9 billion in the last Eisenhower year (1960) and had risen to an annual rate of $65.5 billion by the last quarter of 1966—an increase of 46 percent. This acted as a continuing stimulus to the economy both directly in the form of demand for goods and services and indirectly through its effect on businessmen's expectations. In a very real sense this has been a war boom.

(2) While government spending, especially military spending, has been rising, taxes have been cut. As a result, the period has been one of continuous deficit financing: cash paid out by the federal government has exceeded cash taken in by an average of $5.4 billion during the years 1961-1966.

(3) The particular form of the tax cuts has been such as to subsidize private investment. Former Secretary of the Treasury Douglas Dillon estimated that the cumulative effect

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of the tax changes of 1962 and 1964 would be equivalent to a reduction of the corporate income tax from 52 percent to 29 to 34 percent (depending on the ratio of equity to total capital) or to a reduction in the cost of new capital equipment of 16 percent. "It is hardly surprising," Dillon said in June, 1964, "that investment activity is responding to incentives of this magnitude . . . and that investment is now spearheading the recovery."* Investment has continued to "spearhead the recovery" ever since.

(4) The expansion of consumer credit, which has played a major role in buoying up the economy ever since the Second World War, has continued apace during the Kennedy-Johnson period. Consumer credit plus mortgage debt (much of the latter is used to finance purchases of goods and services other than housing) stood at $210.8 billion at the end of 1961 and at $320.2 billion at the end of 1966, an increase of 51.9 percent. Note that the growth rate here is faster than in the case of personal incomes (39.2 percent, as shown in the above table). The consequence, of course, is that the debts of consumers in relation to their incomes have gone on rising (from 50.6 percent in 1961 to 55.2 percent in 1966).

To recapitulate: the unprecedentedly long upswing of the 1960's was propelled by heavy war spending, deficit financing, tax subsidies to private investment, and consumers' going further and further into debt. All of which helped to generate and sustain an investment boom which for several years added more to incomes than to productive capacity. During 1966, however, the chickens began to come home to roost: inventories rose out of all proportion to sales, and operating rates declined. If the classical business cycle patterns were to hold, the next phase would be a cumulative downswing triggered by a falling off in the rate of investment.

But will the classical pattern hold?

This depends first, of course, on whether the indicated decline in the rate of investment materializes; and second, if it does, on whether spending by consumers and government can

* Quoted in MR, February, 1965, p. 582.

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be expected to expand enough to compensate for the decline in investment.

On the first point, it would seem to be a pretty safe bet that the decline will in fact take place. Inventory booms are by their very nature temporary, and when they come to an end—that is to say, when businessmen stop *adding to* their stocks—a decline in investment automatically takes place. If this is followed by a liquidation of inventories, the decline in investment is *pro tanto* increased. In recent months close to 20 percent of business investment has been in inventory accumulation. If this should turn into inventory liquidation, total business investment could easily and rapidly fall off by as much as a quarter to a third. The latest (March) issue of *Fortune* puts the matter this way:

> There is lots of talk about the "overhang" of inventories, but not much about what that really means. If accumulation stopped overnight, ten points would be sliced off the FRB index [i.e., the Federal Reserve index of industrial production], but an inventory surplus of well over $10 billion would still "overhang" business. This could be wiped out either by a prolonged period of heavy liquidation or by a sharp rise in sales, which is unfortunately unlikely. . . . In a swing from accumulation to liquidation, inventory buying could fall by $20 billion, conceivably even more. Only afterward could production recover.

For some reason *Fortune* fails to explore the likely consequences of such a drastic contraction in the inventory component of investment, beyond noting that it would entail a substantial decline in industrial production. Would this decline in production not have further repercussions? As noted above, new capacity is being activated on a large scale following the high level of investment in plant and equipment of recent years, and already operating rates are falling. Obviously a decline in production would accelerate this trend, and equally obviously a sharp decline in operating rates would cast doubt on the wisdom (from a profit point of view) of many plans for additional investment in plant and equipment. In this connection it should be noted that optimistic forecasts for the rest of 1967, which still seem to be prevalent among academic

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and business economists, rely heavily on recent surveys showing that businessmen intend to invest more in plant and equipment this year than last. These surveys produce what appear to be hard statistical "facts" which can be fed into computers and otherwise manipulated to produce precise quantitative results. It is too often forgotten that each businessman's intentions are based on his own worm's-eye view of the economic outlook, and that he not only can but must be ready to change them if events take an unexpected turn. We can only conclude that not only the inventory component of business investment but also the plant and equipment component may be in for a serious slide.

Before we conclude that an overall recession is in the cards, however, we have to make our guesses about what government and consumers are likely to do.

All present indications are that government spending will continue to rise both in the military and the civilian fields. And Edwin L. Dale, Jr. reports in the *New York Times* of March 6th that Washington observers now think the cash deficit in the federal budget may increase to over $10 billion in the next fiscal year. Government, in short, seems likely to play an even more expansionary role than it has in the last few years.

With respect to the role of consumers the outlook is less clear. Sales of automobiles and appliances have fallen rather sharply, and there is no reason to assume that this trend will be quickly reversed. On the other hand, residential construction has turned up from its 1966 low, and it seems probable that the government will make strong efforts, via monetary policy and otherwise, to stimulate this recovery. There are two big unknowns here: First, are consumers *willing* to continue going deeper and deeper into debt, as they have been doing for so many years now? And second, are they *able* to do so? Admittedly, no one knows what the upper limit of the debt-to-incomes ratio is, hence whether the present figure of approximately 55 percent is anywhere near the limit or not.* But there must be a limit somewhere; and if it is ever bumped up

* By way of historical comparison it may be noted that the ratio in 1929 stood at 30.3 percent.

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against, a lot of steam will go out of the economy. In the meantime, it should be kept in mind that even if consumers are able to buy more on credit, they don't have to. And if a recession should be touched off by a fall in investment—resulting in an increase in unemployment, lower profits, and general uncertainty—consumers might even retrench to the point of becoming a deflationary rather than an inflationary force in the overall economic picture. If that should happen, we would probably be in for the first real depression since the Second World War.

This is not a prediction: there are too many unknowns and uncertainties for that. But it is a real possibility, and that in itself is something new for the younger generation in this country today. It is certainly not too soon to begin to think about what the consequences might be in the present constellation of domestic and international affairs. In closing, we offer a few suggestions for further consideration and exploration.

First, it seems reasonable to assume that a serious economic setback, coming on top of the murderous escalation of the war in Vietnam and the dismal failure of the "war on poverty," would open a lot more young people's eyes to the real nature of the system they live under. If so, it might give a big boost to the student radical movement and lend added urgency to the tasks of theoretical and ideological clarification which have been taken up, still only in a tentative way, by the left wing of the Students for a Democratic Society (chiefly through the Radical Education Project) and perhaps by other groups which have received less publicity.

Second, a depression would probably be accompanied by a truly dramatic increase in unemployment which would certainly hit young workers hardest. Even at the peak of the boom, the official unemployment figure has hardly gone below 4 percent of the labor force, and it is now well established among experts in this field that the true unemployment rate is much higher, probably of the order of 7 or 8 percent. Even a mild depression could send this soaring. It is impossible to predict the impact of such a development on young workers, and quite likely that it would be different for blacks and whites

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and perhaps different for various groups within the two races. But in any case it seems clear that opportunities to attract young workers into the radical movement should be substantially improved. The time may therefore be approaching when efforts in this direction will show real results. And this of course raises the question as to what form the efforts should take, particularly whether chief emphasis should be put upon the traditional activities of organizing and agitating within the trade union movement or whether some other approaches may be more promising.

Third, an economic downswing in the United States could have far-reaching repercussions throughout the "free world." One of the incidental effects of the long boom has been a more rapid growth of imports than of exports (from 1961 to the last quarter of 1966, United States merchandise imports increased by 84 percent, exports by 50 percent), and this strong demand from the United States has undoubtedly had a stabilizing effect on other economies in the world capitalist system, both advanced and underdeveloped. As it happens, props of this kind are very much needed now. A marked slowdown in the rate of economic growth has occurred in Western Europe, bringing the problem of unemployment to the fore again for the first time in many years.* And the increasingly critical situation of large parts of the neocolonial world (India, Indonesia, and Brazil, three of its largest members, may be taken as examples) is well known. In these circumstances a decline in United States demand for imports could throw the whole world capitalist economy into turmoil.

Finally, economic developments of the kinds indicated

* The first victims of this slowdown have been the migrant workers from the Southern European countries (Spain, Portugal, Italy, Yugoslavia, Greece, and Turkey) who have made up the indispensable industrial reserve army for Western European capitalism's postwar expansion. See the very interesting survey in the *New York Times* of February 27th under the headline "Europe's Migrant Workers Are Facing Job Crisis." The possibility of laying off these migrants first may have a safety-valve effect for the advanced countries. The other side of the coin of course is that it may have an explosive effect in the underdeveloped European countries.

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could not fail to have their political counterparts on a world scale. It is perhaps too early to hope for any appreciable radicalization of the reformist labor movements of the advanced capitalist countries, though, as we have already suggested in the case of the United States, opportunities for effective work looking to the future should be improved. In the underdeveloped countries, on the other hand, the consequence could be an immediate and powerful impetus to revolutionary movements.

A dispatch to the *New York Times* of February 24th from London by Anthony Lewis, begins as follows:

> Walt W. Rostow, President Johnson's assistant for national security affairs, said today that the "aggressive, romantic revolutionaries" who have long disturbed world order seemed to be passing from the scene.
>
> American policy is shifting in the face of this profound change, Mr. Rostow suggested. He said a major aim now was "settlement, reconciliation, and cooperation."

Last month, we presented evidence that as far as Latin America is concerned the real change is in precisely the opposite direction. If the United States economy now seriously falters, even Mr. Rostow may begin to see that aggressive, though hardly romantic, revolutionaries are still to be reckoned with—and not only in Latin America.*

(March 8, 1967)

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* The manuscript of this editorial was sent to the printer on March 8th. The next day the newspapers announced that a just-completed government survey of investment intentions showed that businessmen had already begun to revise their 1967 plans downward. On March 10 Johnson asked Congress to restore certain tax subsidies to investment which had been withdrawn last fall as an anti-inflation measure. And on March 11 the Federal Reserve acted vigorously to increase the money supply and bring down interest rates. It may well be that by the time this issue of MR reaches its readers, it will be generally accepted that a recession is under way.

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TASKS OF THE AMERICAN LABOR MOVEMENT

BY TWO LABOR ECONOMISTS

A new militancy has emerged in the American labor movement, although it is difficult to estimate its extent. But the dissatisfaction seems widespread. What appear to be good wage settlements are rejected by rank-and-file votes, after which the officers go back and negotiate even better contracts. Union organization efforts are showing results. Joint bargaining efforts by many unions which have common employers, including even old-line AFL unions and formerly ostracized left-wing unions, are meeting with considerable success. Finally, there is evidence of increased political independence, some disillusionment with LBJ's "Great Society" and with the cozy relationship between Meany (and other leaders) and the Democratic Party.

Major contracts are open for renegotiation in 1967 (auto) and 1968 (steel). The chief Administration spokesman on economic affairs, Gardner Ackley, chairman of the Council of Economic Advisers, has made it clear that even now they will try to limit settlements to the widely repudiated "guidelines." The Administration could not design a better "blame labor for inflation" situation if it tried. Yet no accusation could be further from the truth. Profits, interest, and rental incomes have soared; wage income has barely kept up with rising living costs. Most tragic of all, Ackley has announced that the Administration believes the unemployment rate is as low as it wants it—a high 3.9 percent. Since the *actual* unemployment rate is far higher than the official statistics show, perhaps as high as 7 to 8 percent, the announced policy may mean formal abandonment of the "Great Society." Without plenty of jobs for all who want them, the struggles against poverty, discrimination, teen-age unemployment, and automation-unemployment will grind to a halt. In their place is the ever-widening

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Vietnam war, with the overhanging threat of wage controls. It has been a "Great Society" all right, but only for profit, interest, and rent receivers, not for the wage earners and the poor. Continuation of these trends will set the stage for the 1967 and 1968 bargaining sessions. This article explores these trends, and particularly the role of wage guidelines and government in the current situation.

The record of the United States economy since the Second World War has been far better than expected by most who lived through the Great Depression. At the same time, it has been a good deal less impressive than the Western European (except for England) and Japanese experience. For all developed capitalist nations, the past two decades have been a period of exploration with the Keynesian tools of anti-depression policy. To the extent that a major depression has not occurred, the policy has been successful: the postwar record shows that the four recessions suffered by the United States in the past 20 years were short-lived and did not spread sufficiently to cause a world-wide disaster.

The growth rates and employment records of the European and Japanese economies have been much better than those of the United States. The *absolute* levels of production and living and research of the United States still greatly exceed those of other economies, but the *rate* of expansion of the West German, Italian, French, Dutch, and Japanese (and other) economies has been considerably higher, up to 1965. The gap is narrowing. At the same time, the world capitalist economies are irrevocably interlinked. A serious recession in the United States would place a severe strain on the world monetary system, and would threaten the prosperity of all other capitalist economies.

Since 1961 it has appeared that the United States economy might also enter a period of peacetime super-full employment, but events in the past year have put a halt to the movement in that direction. Instead, a major shift in resources to a war-directed economy is taking place. Unlike the Second World War, but like the Korean "incident," this military misadventure will cause the United States economy to suffer. Not

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only will "Great Society" programs be forgotten, but in addition, living standards may be eroded and economic growth considerably slowed. W. W. Rostow once explained the State Department's rationale behind the arms race in the 1950's as forcing the USSR to "waste" her resources for military purposes and thus denying her the use of those resources to sustain her growth rate. Now it is the United States, as the result of its government's own choice, that is dissipating its resources and production in a vain effort to control Southeast Asia. Moreover, it is the working class that is being asked to pay for the war, just as it was earlier asked to pay for higher rates of investment and growth. It is one thing, however, to finance higher rates of employment and growth. It is still another thing to be asked to finance an aggressive war on the Asian mainland, using soldiers drawn mainly from low-income families, and sustaining an economy of high profits *and* high unemployment.

Table 1

Unemployment Rates in Seven Major Industrial Countries, 1960-1965 (Percent)

	U.S.	*France*	*W. Germ.*	*Britain*	*Italy*	*Sweden*	*Japan*
1960	5.6	2.6	0.7	2.4	4.3	—	1.4
1961	6.7	2.3	0.4	2.3	3.7	1.5	1.3
1962	5.6	2.5	0.4	2.9	3.2	1.5	1.1
1963	5.7	2.8	0.5	3.4	2.7	1.7	1.1
1964	5.2	2.3	0.4	2.4	3.0	1.6	1.0
1965	4.6	2.8	0.4	2.2	3.9	1.2	1.0

Source: Arthur Ross, Commissioner of Labor Statistics, "Guideline Policy," in *Guidelines,* University of Chicago, 1966, p. 13.

The figures of Table 1 are supposedly fully adjusted for different definitions—who is to be included in the labor force (unemployed but actively looking for work) and who is counted as "employed" (although they may be working only part-time, or temporarily laid off). It appears, however, they may be overadjusted to favor the United States. The Italian figures, for example, are heavily influenced by Southern Italy, a depressed region that should be considered by itself. The French

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figures include the Algerian emigrés. The German figures include well over a million foreign workers from Turkey, Italy, Greece, Spain, and other countries. Actually, half of the European countries have more job vacancies than they have unemployed—truly the mark of structural unemployment. The figures for the United States, on the other hand, understate considerably the true amount of unemployment. Studies by economists such as Bowen and Finegan, Lebergott, Tella, Strand and Dernberg, and Kuh all support what left-wing union research economists have claimed for many years. When unemployment increases, people become discouraged looking for jobs that do not exist. Moreover, it costs money, as well as psychological wear-and-tear, to look for work. After an unemployed person has covered all likely employers with visits and applications, he tends to stay home and work around the house. Such a person is classed by the United States definition as *not* being in the labor force, because he did not look for work during the month the survey was taken. Edwin Kuh, in a recent *American Economic Review* article (September, 1966), summarized the results as follows:

> Within the past five years, the sensitivity of the labor force to employment opportunities has become widely recognized; it seems that for about each additional worker fired during a slump, two workers leave the labor force. Thus unemployment increases by half as much as the decrease in employment. Women, young men, and older men are the most sensitive to labor market opportunities in the manner suggested, which has come to be known as the "discouraged worker" hypothesis. (p. 761)

The opposite tendency, for more secondary workers to enter the labor market to make up for family income lost through unemployment, has been shown to be of lesser importance. The over-all figures clearly support the view that the official figures understate "true" unemployment by a considerable factor. In other words, while the United States official unemployment figure now stands at 3.9 percent, the real figure probably falls in the range from 6 to 10 percent.

Orthodox economic theory generally provides a rationale for blaming most of the ills of the world on labor, particularly

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organized labor. In recent years the "exorbitant" demands of labor have come in for their usual blame for unemployment ("they simply price themselves out of the market") and, at the same time, for inflation. The European and Japanese experience has shown that truly full employment can be achieved under capitalism *if* enough demand (purchasing power) is generated. The hardships resulting from the mild inflation (3 to 5 percent per year) which accompanies full employment have been far less severe than the hardships and waste that accompany higher levels of unemployment.

As noted above, there have been four relatively short postwar recessions in the United States—in 1949, 1954, 1958, and 1961. Each lasted about a year, with *official* unemployment rates rising to about 6 percent during the first two, and to about 7 percent during the last two. Over this period when the labor force was growing by about one million each year, an increase of about 4 percent in Gross National Product (GNP) was needed to keep unemployment constant. To reduce unemployment, a faster growth rate was required. From 1965 to 1970, the labor force is expected to grow by about 1.5 million each year, which will require still faster growth to prevent an increase in unemployment.

Most European capitalist economies and Japan have been far more successful in growing faster, creating jobs, and keeping unemployment low. They have also shown more flexibility in switching demand from business investment to consumption. Right after the war, the emphasis was on rebuilding. Massive amounts of United States capital and know-how were poured into Western Europe for this job—primarily to turn back the threat of democratically elected Communist governments and to lock Western Europe in the United States anti-Soviet camp. American labor representatives accommodatingly split the European labor movements and kept them weak. On the other hand, the USSR's rebuilding job was enormous, and an added burden was the great military pressure which the United States applied as a part of the Cold War. Russia was thus not able to reap the rewards which might have accrued to her for having played the predominant part in saving Europe

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and the world from fascism. Now that it was all over, how much more agreeable to think of the saviour in terms of the billions of American dollars rather than the millions of Soviet lives which had "purchased" the victory.

In the reconstruction period, conservative European businessmen and governments—and their American ally—were willing to throw conservative fiscal doctrines to the winds in the face of the threat of left-oriented governments coming to power. America was ready with the wherewithal, "whatever it takes," to do the job. European and Japanese leaders were willing to push their economies at a much faster pace than were their American counterparts. However varied the reasons, the experience of Europe and Japan "proves" that a modern capitalist nation can sustain super-full employment for an extended period of time.

The weakened, divided, and dispirited European Left was no match for the aggressive, well organized, and well financed pro-American movements. Under these circumstances labor worked hard to rebuild the material and financial assets of the capitalists (many of whom had been collaborators of Hitler). For more than a decade the workers shared but little in the productive outpouring. Profits and the trickle-down from profits to the middle-income groups increased, but the standard of living of the working classes remained remarkably static.

In the late 1950's all this changed. The high-investment, high-profit economies broadened their largesse to include substantial living standard increases for the workers, the elderly, and the lowest-income groups. During the earlier period, labor costs per unit of output were kept down, and in most cases fell. During this past decade, on the other hand, labor costs have actually been rising in most Western European and Japanese industries, as wage increases have exceeded productivity gains (which have continued to remain high, except for England). Throughout the entire period, however, growth and employment have also remained high. Economic stability was maintained despite shifts of emphasis from super-high investment (and low consumption) to high investment and high consumption.

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Table 2

Average Annual Rates of Growth of Real Output
1950-1965 (Percent)

Japan	8½	France	5
West Germany	7	United States	3¾
Italy	6	United Kingdom	3

Despite the impressive economic advances in Western Europe, there have been serious problems. The United States has extracted a price for its help. A high proportion of European industry is now owned by United States corporations or intertwined with United States firms and banks. Europe is still far behind the United States technologically and scientifically. The United States has drained away many of Europe's best brains (in more fields than missiles), and is continuing to buy their brainpower for dollars. The international money system is totally dependent upon United States cooperation because the American economy remains, despite a lower rate of growth, by far the most powerful and dominant productive machine in the world. Up to the expansion of the Vietnamese war, the United States balance of payments problems were relatively minor, but the threat of a serious recession in the United States has always been troublesome. There is considerable evidence that a United States crisis might still result in cumulative downward movements which would drastically affect Europe. Closer economic ties with the East, and more insulation from the United States economy, are desires which are felt by others than De Gaulle. Against this background, American adventures in Southeast Asia provide the occasion for Western Europe to begin to solidify a new independence.

All Western European nations, except perhaps West Germany, Spain, Portugal, and Greece, have become comfortable with the live-and-let-live policy of the Soviet Union and with their own domestic Communist movements. Considerable progress has been made toward the establishment of an "incomes policy" by which not only wages are kept in check, but interest, profit, and rent incomes are also limited.

Most European economies have taken in stride a 3 to 4

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percent price inflation. They have revised their pension plans and properly taken care of the elderly. They are in the process of broadening their educational systems and are just beginning to cope with the numerous problems attendant on an automobile civilization. So far, indications in France and elsewhere point to effective land planning and public transportation solutions. The inequalities of income, education, and opportunity remain great, but effective problem-solving machinery appears to be evolving. The Suez-type adventurism toward developing nations is now left (at least temporarily) to the United States. European capitalists, in their own self-interest, are more and more shying away from the United States and keeping open their options to establish closer relations with the USSR, China, and developing nations. The Vietnamese war has worsened the United States balance of payments position to such an extent that the capital for most new American investment in Europe is being raised in Europe itself. Earlier, Americans at least used United States capital to buy European assets; now they use European capital. Something like a minor declaration of independence appears in the making, and may materialize in the near future.

The American postwar experience, in contrast, was marked by periodic recessions until the end of the Eisenhower administration. In the periods between recessions, official unemployment fell to the neighborhood of 3 percent only in the Korean war period. For the rest of the Eisenhower administration, "good" times were marked by unemployment rates around 4 percent (1955-1957) and around 5½ percent (1959-1960). In the Kennedy and Johnson administrations, unemployment has dropped steadily but very slowly to its present (November, 1966) level of 3.8 percent. This record, mediocre by comparison with Europe and Japan, derives from the fiscal conservatism of American bankers and industrialists who have resisted public investment and wage increases on a scale which would have led to full employment and to meeting America's needs in the public sector. This is not to suggest that American bankers and industrialists are necessarily more conservative than their European counterparts; it is just that the need for counter-

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measures to head off a takeover by left-oriented parties does not exist in the United States.

For the past several years the American labor movement has played patsy for a profit-bloated economy. Table 3 shows the percent increases in different income shares, and how much wages have lagged behind profits and property incomes.

Table 3

Percent Increases in U.S. Incomes
1961 to Second Quarter, 1966

Wages in Manufacturing	16
All Private Wages and Salaries	38
Corporate Profits After Taxes	79
Interest Income	96
Rental Income of Persons	59
Proprietors Income	20

Sources: *Federal Reserve Bulletin* and *Economic Indicators.*

The corporations and property income recipients have increased their relative share of income and production at the expense of the worker and small businessman. With the increased profits, investment in new plants has also grown. This largely accounts for the recent vigor of the upswing, but it also makes the upswing more vulnerable. The prosperity has become top-heavy with investment, and unless wages (and hence consumption) increase appreciably, the economy will remain vulnerable, despite drastic increases in expenditures for the war in Vietnam. The rapid increase in consumption which would validate the investment may never take place in the United States as it did in Europe.

Since 1960, basic wage rates in the United States have been creeping upward at the rate of about 2½ to 3 percent a year. This compares with the wage guidelines of 3.2 percent, estimated productivity increases of at least 3.8 percent, and a steady acceleration of the rate of increase in consumer prices from 1 percent a year in 1960 to the present rate of 3½ percent.

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Table 4

Percent Increase in U.S. Manufacturing Industry Average Hourly Earnings (Excluding Overtime) and Consumer Prices

	Basic Wage Rates	*Consumer Prices*
1960-61	2.3	1.1
1961-62	2.7	1.2
1962-63	2.6	1.3
1963-64	3.0	1.3
1964-65	2.5	1.7

Source: Calculated by authors from Bureau of Labor Statistics data.

Even if one assumes, incorrectly, that productivity increases were limited to 3.2 percent (the guidelines figure), then, since a correction for price advances is necessary, basic wage rates should have increased 4.3 to 5 percent to provide such an increase in real terms. But basic wage rates have risen, as the table shows, only from 2.3 to 3.0 percent. As a result, labor costs (and especially productive labor costs) per unit of output have gone down slightly from 1960 to 1965. Even recent relatively large wage settlements, after correction for price changes, were lower than the guidelines. The major settlements since the airlines strike have been running close to 5 percent, but even 5 percent is considerably less than the full productivity increase after correction for price changes. This would currently come to almost 8 percent—3.8 percent for productivity and 4 percent for cost-of-living increases.

While Gardner Ackley is still claiming to want to hold wage increases to 3.2 percent, Secretary of Labor Wirtz recently gave his blessing to the 5 percent increases as noninflationary, in view of the cost-of-living increases. No one in government has said anything about the profit, rent, and interest income increases. Instead, the wage guidelines policy has provided the groundwork for another "blame labor" campaign.

In President Kennedy's 1962 *Economic Report,* wage guidelines were first suggested to the American people. The *Report* recommended that wage increases be limited to productivity advances—around 3.2 percent per year. Labor was

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called upon, once again, to do "its share" to fight inflation. It was understood that, somehow, capital would also do its share, and the United States economy could proceed along the desired path to truly full employment without fear of price increases. United States products would remain competitive on the world market (or even become more competitive); a healthy balance of consumption and investment would continue; we could press on to lower and lower levels of unemployment.

Robert Solow, a top-ranking economist from MIT, recently summarized independent studies at the University of Minnesota and at MIT.* One found that wage increases in 1965 were 1.7 percent smaller, the other that increases were about 1½ percent smaller than might have been expected on the basis of past experience. One study projected wage trends on the basis of the observed relationships to unemployment, the cost of living, profits, and changes in the rate of profits between 1948 and 1960. The other involved only the unemployment rate and cost of living changes. Solow's conclusion is that "the weight of the evidence suggests rather strongly that the guideposts have had an important effect on the behavior of wages and prices."

What has happened is that the American labor movement has permitted the Democratic Administration to fool it into giving up one of labor's "sacred principles" (protection of the standard of living), by holding out the carrot of "productivity gains." Wage increases reflecting productivity gains should come on top of adjustment in wage rates for cost-of-living increases. The Democratic Administration, along with liberal assists from economists, talked the labor movement into settling its wage demands for about 3 percent, without correcting for price increases.

A communication in a recent issue of the *American Economic Review* (September, 1966) by William Brainard and M. C. Lovell summarized the policy as follows:

* This summary appears on pp. 64-65 of *Critical Issues in Employment Policy: A Report of the Princeton Manpower Symposium, May 12-13, 1966,* edited by Frederick H. Harbison and Joseph D. Mooney.

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Guidepost policy allows steel-using firms to respond to rising material costs by raising their prices rather than reducing their profit margins; similarly, the customers of steel-using firms may pass along their costs, and so on to the eventual consumer. On the other hand, the guideposts do not permit money wage rates to adjust in response to rising prices. (p. 858)

This should define the first task facing American labor in 1967: re-establishment of the basic principle of no erosion of living standards through price increases. One way of implementing this principle is through adoption of an escalator clause in labor contracts. Other methods include annual reopeners or other periodic adjustments. The specific method is not important, but the re-establishment of the principle is.

A second goal should be that of lowering the unemployment rate to its minimum level—its true minimum. This true level is not fully known, but the official rate of 3.8 percent is certainly far too high. The acceptable minimum, in terms of the official index, should be closer to 1½ percent—which would mean, when corrected for the "discouraged" workers factor, an actual rate of about 3 percent. In terms of Western European and Japanese experience, the 1½ percent (corrected rate of 3 percent) is not too low a goal. Achievement of this goal would make possible the purported "Great Society" aims such as successful anti-poverty programs, anti-discrimination programs, anti-depressed areas programs, teen-age employment projects, and many others.

The past five years have demonstrated that the current inflation cannot in any way be blamed on labor. It must be squarely attributed to the corporations, the doctors (and others who provide "services"), the banks, and the property owners. Keeping wages down in order to "fight inflation" simply makes labor pay for others who help themselves. It also distorts the economy toward profits and away from consumer purchasing power. There are ominous signs gathering of a new recession. Substantial wage increases will be needed to offset the drop in investment spending that appears to be coming in 1967. The Vietnamese war, of course, may change everything. If the war escalates, as seems likely, the wage guidelines have

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made it very probable that most of the cost of the war will be borne by wage-earners, not by property owners or corporation executives. The 1967 (auto) and 1968 (steel) settlements will show what is in store for us.

All of the preceding leads to certain conclusions about the state of the United States economy and the role of American labor.

(1) Wage settlements in recent years have lagged behind real productivity advances; profits and interest and rent incomes have correspondingly benefited. The economy has become profit-swollen and vulnerable to a serious depression. The war in Vietnam is aggravating the situation. Patriotic appeals to labor have resulted in labor's muting its demands. Under false cries of "inflation," the banking community clamped a tight-money policy on the economy, raised interest rates to the highest levels since the 1920's, and halted the reduction of unemployment. Congress will give the military all the money it requests, but will starve the "war on poverty," and the other "Great Society" programs. This will further undermine the consumption base for continued prosperity. Tax increases, particularly for social security and by state and local governments, have been strongly regressive, again hitting the low and middle income groups.

(2) The Democratic Administration's wage guidelines justified the squeeze on wages in the name of the general welfare—to fight inflation. This has been a serious travesty on economic justice. Until 1966, the price inflation was slow, steady, and restricted mainly to consumer services. Consumers were forced to pay more for medical services, rents, public transportation, recreation, and other services—all of which added up to more than a one-percent increase in cost-of-living each year. Labor leaders, smarting from being blamed unjustifiably for the mild inflation in the 1955-1958 period, allowed themselves to be talked into accepting the wage guidelines by the Democrats and the economists. The guidelines asked labor to restrict its wage increases to productivity advances—about 3.2 percent per year *without* correcting for

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cost-of-living increases. In 1966, consumer prices rose about 3½ percent. This made the guidelines ludicrous. Yet the Johnson Administration persists in its claims that higher wage settlements will "cause" inflation.

On other grounds, acceptance of the guideline principle of limiting wage increases to productivity gains is incompatible with labor's long-standing struggle for a more just distribution of income. For the guideline principle implies that the existing distribution of income between labor and property is fair and just. Widespread unrest in labor's rank and file quite evidently is causing labor leaders to take another look at their position *vis-à-vis* the guidelines.

(3) The economy is hardly overheated—except in those areas immediately affected by the Vietnamese war. True unemployment rates remain around 7 percent, a shocking waste of manpower. And the Negro unemployment rate hovers around 15 percent. For teen-agers the rates are far worse—almost double the average rates. It is almost as though the Administration had designed a manpower policy to force the unemployed (and particularly the non-white unemployed) to be drafted (or to enlist) and be shipped off to Vietnam. At the same time, excess capacity in autos, construction, appliances, and other similar areas, is beginning to appear. The one way easily open to the Administration to keep the prosperity rolling is to increase war spending. But this terrible waste of manpower and resources will only serve to make the underlying economic situation worse. It is almost like feeding sugar to a hungry diabetic.

(4) Truly full employment can only be hoped for if there is a return to a healthy, consumption-purchasing-power economy. Simple bread-and-butter unionism, pressing for higher wages, and refusing to be hoodwinked by Democratic Administrations and academic fakers, could be a firm first step in the right direction. The UAW, whose negotiations will soon open, will provide an important test case.

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WORLD EVENTS

By Scott Nearing

Short Rations in India

More than a month in India has given me a bird's-eye view of its teeming four hundred millions. I do not pretend to know India, but in the course of this third visit I have begun to penetrate a bit below the surface of Indian life. To an economist the most outstanding feature of India is its failure to make full use of its natural advantages.

Indian agriculture is the mainstay of the economy. Any considerable drop in farm output increases hunger and brings famine to some part of the Indian population. Agricultural stability is therefore a matter of life and death in India.

In the face of this grave threat, Indian agriculture still depends largely on the annual rains (the monsoon). If these rains are delayed or if they fail, the water supply is insufficient to mature crops. For centuries India has suffered from periodic water shortage and consequent food shortage.

Wherever I went in India I saw great rivers running through fertile land and carrying huge volumes of water and silt from the mountains to the sea. The first task in conservation is to impound all available water and use it wisely on the land.

China's Yellow River, the Hwang-ho, is called "China's Sorrow" because it has overflowed its banks 1,500 times in 2,500 years. Today the Chinese are building 47 dams on this river. When this "staircase" of dams is completed, sometime in the 1970's, engineers believe that the river will be serving man instead of destroying him and his works. Hwang-ho waters can be used for irrigation, transportation, and power development, thus adding to the wealth and the stability of China's economy.

China is not alone in making fuller use of its water reserves. Many other nations are following similar policies. India has begun to follow suit but has far to go before her waters are sufficiently harnessed for the country's good.

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Trees and Tree Crops

Another important step that India might take toward stabilizing and increasing its water supply is to plant trees on every possible acre of unused or waste land. A well-established forest has a floor like a huge sponge absorbing moisture and releasing it gradually into springs and rivulets.

Here again the Chinese have a significant formula: practice open cultivation on flat land; plant vines and fruit trees on hillsides, terracing where necessary; reforest all hills and mountain-sides up to the tree-line. Following this formula will raise the moisture content of the soil, reduce erosion, and add steadily to the all-important top soil.

There is a third step that India might take to conserve moisture: plant a tree-belt from two to ten trees wide on the open land along all highways, roadways, and streets. Where appropriate, this roadside planting should include fruit and nut trees. Roadside planting would give shade, retain moisture, and add an important element to the local food supply. The care and harvesting of the tree crops could be made a responsibility of each community through which the roadways passed.

One final item: India has a large supply of unemployed and partly employed labor. Much of this labor is trained in agriculture. If India were to organize a campaign aimed at the type of intensive cultivation practiced in Japan, India's food problem would be solved after a few harvests. Japan, with only 16 percent of its land area arable, feeds 100 million people on 143,000 square miles of territory. If India's agricultural efficiency equaled that of Japan, it could feed 810 million people on its 1,260,000 square miles.

India's Producers and India's Unemployed

There is a second outstanding feature of the Indian economy which should be of profound concern to the Indian people: the failure to make full use of labor power. Most Indians are engaged in agriculture, but there is a large and rapidly growing fraction (especially in the younger generation) which has learned or is learning the skills necessary for

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the modernizing of the Indian economy. The labor power of India, rationally used, could speedily rationalize and modernize the entire Indian economy.

India's labor power is divided by class, caste, and occupation into four categories:

(1) The ultra-rich men and women (who are generally well educated and in many cases well trained) are seldom employed in useful professions. Instead, when they are "occupied," their purposes are either parasitic (speculation, stock-jobbing, real estate manipulation, rent collecting) or they are recreational—moving from one expensive vacation spot to another. This segment of Indian society represents a net loss to the economy.

(2) The technically trained intelligentsia (which makes up the hard core of the present-day middle class) is being increased more rapidly than the productive facilities of the Indian economy. Consequently, young women and men, leaving school with theoretical equipment which should enable them to play a productive role in the economy, find themselves sidetracked into jobs where their skills can contribute only ineffectively to the annual product of their country. To make matters worse, there is a deeply ingrained tradition in India that technicians, scientists, and other "professional" people must avoid dirty work, which is the duty of khaki-clad "peons" (day laborers). In a school that was training teachers for agricultural village schools the director lamented: "When a student graduates from this school and becomes a professional, he gladly carries out 'professional' duties. When it comes to handling earth in an experimental plot, the professional watches while a peon does the menial work." Many of the most capable Indians finish their technical or professional training and then migrate to Western Europe or North America where skills are in greater demand and where salaries are from two to five times the Indian level. This is the Asian brain-drain. Another important segment of India's middle class is composed of small merchants and craftsmen who play a prominent role in the life of villages, towns, and cities. These small tradesmen and their establishments are chronically semi-employed or unemployed. India's

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middle class, by and large, is only partially employed.

(3) The vast majority of agricultural workers are paid day-wages or work as tenant farmers. In planting time and at the harvest season they are fully occupied; otherwise they are partially or wholly unemployed. In the off-season they may go for weeks or months to the nearest city and pick up odd jobs, adding to the labor pool and increasing the downward pressure on wages.

(4) Economic outcasts who have no place in the economy—the incapacitated, the misfits, drop-outs, unemployables—are an increasing burden on their families, their neighbors, and the entire economy.

It is probable that, on the average, Indian labor power is used at less than sixty percent of its capacity.

Income Distribution in India

A third aspect of India's partially used economy appears in the distribution of income. The Indian economy markets the overwhelming proportion of its products domestically. Under a money economy the possibility of sale in the market depends upon the purchasing power of industries which buy and use capital goods, and of consumers who buy and use consumer goods. India's market for capital goods is relatively small because so much labor power is used directly without the intervention of tools or machines. The capital goods market is limited further by the slow growth rate of manufacturing and other industries. This is true of an agriculture which depends largely on human energy employing hand tools. It is equally true of various branches of urban industry.

While in Bombay I watched a crew of about 35 people fill the second floor forms on a moderately large steel and concrete building job. Four crews of two men each, with boxes mounted on poles, trotted from piles of sand and gravel to a gasoline-engined mixer. Each crew's carrying box was filled by two laborers. Two men put cement into the mixer while a third operated the machine. Thus eleven laborers were occupied in filling and operating the mixer.

Mixed concrete was poured into a large container, from

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which it was shoveled into flat baskets holding about two shovelfuls. Each full basket was picked up by a laborer and handed to another man who stood about 30 inches higher on a platform. Laborer Number Two passed the basket to Number Three, whose platform was 30 inches above Number Two. Number Three then lifted the basket 30 inches higher to Number Four. When the basket reached Number Five, it was at the level of the second floor form. Up to this point the material had been handled by 18 men.

On the second floor a man took the basket from Number Five, lifited it, and placed it on the head of a woman who walked with the basket to the form where a man dumped the concrete and handed back the basket, which was refilled in due course. More than a dozen women were carrying the baskets, standing in line and taking refilled baskets as fast as they were ready. At the form three men were distributing the concrete and tamping it.

There was not a wheel on the job except that on the mixer. I figured the daily labor costs of this 35-man crew at slightly more than 100 rupees. (At the current rate of exchange 100 rupees equal $14.) Except for the mixer, no machine was used; thus the capital investment in this particular job was virtually zero. If the contractor had used even half a dozen wheelbarrows he would have made a capital market for wheelbarrows; but wheelbarrows are expensive, while labor, at two rupees for eight hours, is dirt-cheap.

The other aspect of the domestic market is the purchasing power of consumers. If 35 workers and their families get 100 rupees per day, how much can they buy after they have paid their rent and bought their food? Most of them were working barefoot; they could not even afford sandals. Their margin of choice and ability to purchase are pitifully small, and it is upon this tiny base that the consumer-goods segment of the Indian economy must depend.

Wherever I inquired I found the going daily rate for unskilled labor from two to four rupees per day (28 to 56 cents). The rate was slightly more in the cities and less in the countryside and slightly less for women than for men. Most skilled

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workers receive from six to eight rupees per day. Where daily wage rates are figured in cents rather than dollars, what chance is there to sell consumers more than the simplest necessities, not to mention comforts, luxuries, and consumer appliances, whose price is figured not in cents but in tens or hundreds of dollars?

A Slack Economy

India's entire economy is slack. Driving down one night from Calicut to Cochin, in Kerala, southern India, we came upon a bridge repair crew at work on a moderately long bridge. There must have been thirty men in the crew. The bridge had been closed at 8 in the evening and would be reopened at 5 the next morning. At 1 A.M., when we arrived, at least a hundred trucks, private cars, and bullock carts were lined up at both ends of the bridge, waiting with varying degrees of patience and impatience. One small team of workers was slowly cross-cutting 3x6 and 3x8 planks with a dull two-hand crosscut saw. Another team was ripping a 6x10 timber, ten feet long, with a two-hand, dull rip-saw. The remainder of the crew were taking out old planks and putting in new ones.

If the engineer in charge had assembled his prepared materials (cut to specifications and ready at hand) he should have been able to make the repairs quickly and efficiently with this crew. As it was, the work proceeded with leisurely indifference while long lines of traffic on a main road stood idle throughout the night.

India's economy is slack and casual. It is enormously inefficient: first, through lack of trained direction, and second, because it uses tools that are both obsolete and not in good condition. Competent leadership, management, and direction could step up efficiency by at least ten percent each year. If this were done, by the mid-1970's the economy would be integrated, modestly equipped with good tools and machines, and able to provide the Indian population with the food, shelter, productive capacity, educational facilities, and health services which they need so desperately.

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COMMUNISM, FASCISM, AND BOURGEOIS DEMOCRACY

BY STEVEN J. ROSENTHAL

Social Origins of Dictatorship and Democracy; Lord and Peasant in the Making of the Modern World, by Barrington Moore, Jr., Beacon Press: Boston, 1966. $10.

Barrington Moore, Jr. is an independently wealthy scholar, a Research Fellow at Harvard's Russian Research Center, and, more recently, an historical sociologist who has been teaching the two best courses available at Harvard University. Given in alternate years, the first is a one-semester course in social theory, covering Marx, Weber, Freud, and the contemporary writings of Paul Baran, Herbert Marcuse, and others. The second is a full-year course entitled "Social Class and Politics Since the Industrial Revolution," in which stuednts apply class analysis to a vast range of historical materials relating to England, France, Germany, the United States, Russia, China, India, and Japan.

While teaching, Dr. Moore has been working for well over a decade on the materials that are but sampled in his courses and which comprise his new book, *Social Origins of Dictatorship and Democracy.* This is a book that deserves maximum consideration by radicals. It seeks to do no less than to account for the three major political phenomena of the 20th century: communism, fascism, and bourgeois democracy. It is a challenge not only to the entire edifice of trivia and apologia which predominates at American universities. It is also a challenge to the frequent stale-

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ness and lack of first-rate scholarship in Marxist writings in this country and elsewhere.

In *Social Origins of Dictatorship and Democracy* Moore analyzes and compares the three "routes to the modern world" taken by the major countries of East and West. England, France, and the United States underwent bourgeois revolutions, "revolutions from below," and emerged as capitalist democracies. Germany and Japan checked the impulse toward bourgeois revolution, experienced "revolution from above," alliances between the pre-capitalist landowning class and the rising bourgeoisie, and the result in both countries was fascism. Thirdly, Russia and China underwent neither bourgeois revolution from below nor revolution from above, and consequently both the weak bourgeoisie and the conservative landowning class were swept aside by peasant revolutions which brought communists to power.

Moore seeks to determine what features, what class alignments, in the structure of pre-industrial society and in the character of the break with pre-industrial society, can provide explanations for the differing fates of these countries. What determines whether or not bourgeois revolutions occur? What are the consequences of these revolutions and of the absence or failure of these revolutionary upheavals? The full analysis and the answers to these questions cannot possibly be condensed into a brief summary, but perhaps the main points of Moore's investigations can be outlined.

In England the wool trade provided the stimulus for the aristocracy to turn to commercial farming, drive the peasants off the land through enclosures, and form a partnership with the urban bourgeoisie to overcome the resistance of the Crown to these new developments. The civil war of the 1640's checked the power of the King, established the supremacy of Parliament, and permitted capitalist accumulation to proceed freely. The aristocracy continued to monopolize political power, but its interests coincided fairly well with those of the rising bourgeoisie. When, in the 19th century, the working class began to flex its political muscles, the aristocracy passed the Reform Bill, giving the bourgeoisie a share in political power and paving the way for subsequent peaceful reforms. These developments were made possible by the revolutionary violence which occurred two centuries earlier.

In France in 1789 a relatively weaker bourgeoisie accepted a temporary alliance with rich peasants and urban plebeians in order to deal a crippling blow to the landed aristocracy and the monarchy, thus making possible the limited success of bourgeois democracy in the 19th and 20th centuries. In the United States the Civil War was fought as an alliance of the North and the

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West against the South. Northern capital combined with urban labor and Western farmers against the secessionist planter aristocracy of the South. In both cases the eruption of violent conflict between the bourgeoisie and the landed aristocracy, in which the former was forced to seek lower class allies, made necessary the inclusion of these allies in politics and formed the basis of bourgeois democracy.

On the other hand, in Germany and Japan modernization and industrialization took place without a successful assault by the bourgeoisie against the landowning elite. Labor-repressive agriculture was preserved, along with the status and prerogatives of the landlord class, and the bourgeoisie grew up as the junior partner in alliance with this landlord class. A strong state was needed in order to mediate between the landlords and the bourgeoisie, to guarantee the subordination of the peasantry and the working class, and to carry out an expansionistic foreign policy. In both Germany and Japan, after a brief interlude of half-hearted democracy, the result of this alliance of the bourgeoisie and the aristocracy was fascism.

In China and Russia there developed an agrarian bureaucracy upon which the landed elite depended for the preservation of its control over the peasant population. The strength of this bureaucracy, and the common opposition of the bureaucracy and the landlords to the rise of commercial activities, stifled the growth of a native bourgeoisie. The precarious stability of this pre-industrial order crumbled under the impact of Western imperialism, thus insuring that neither the English nor the German path to modernization was possible for these countries.

As a final case, Moore examines the experience of India. Here, none of these three routes has yet been followed. British support for the parasitic landlords who dominated the Indian countryside partially alienated the Indian bourgeoisie and pushed them toward an alliance with the peasantry, consolidated under and symbolized by Gandhi. This split between the landlords and the bourgeoisie, Moore argues, and the latter's reliance upon the peasantry has made possible the limited bourgeois democracy which has made its appearance in India. But without a strong, progressive bourgeoisie, Moore cautions, Indian democracy is destined to stagnate and decline.

Among the most significant conclusions which emerge from this analysis are the following: (1) Revolutionary violence has played a crucial role in the development of relatively free societies. Moore's first chapter is entitled "England and the Contributions of Violence to Gradualism." Without revolution, the consequence of capitalist industrialization has been fascism. The liberal

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celebration of peaceful change and gradualism hypocritically overlooks the fact that revolutionary violence has provided the framework within which peaceful progress has taken place. (2) The widespread Marxian notion of fascism as the desperate reaction of the bourgeoisie to capitalist crisis fails to explain why some capitalist countries have experienced fascism while others have not. Fascism cannot be understood without taking into account the divergent historical experiences of various capitalist countries—in particular, the survival of the pre-capitalist landowning class into the modern period and the preservation of a large mass of oppressed peasants. (3) The failure of Russia, China, and other "underdeveloped" countries to adopt the capitalist road to industrialization cannot be adequately explained solely in terms of the consequences of Western imperialism. Paul Baran, in *The Political Economy of Growth,* tried to argue that British imperialism stifled the growth of Indian capitalism. It seems much more likely that indigenous factors were themselves sufficient, a fact that in no way weakens the indictment against British imperialism. (4) Moore's analysis of China and India, but also his analysis of Japan and Western societies, contributes enormously toward an understanding of the peasantry, its role in the major revolutionary upheavals of the past three centuries, and, beyond this, to a fresh perspective on the whole problem of analyzing and explaining popular radicalism, or its absence, among both peasants and workers.

This last point leads directly to another range of considerations, however, which requires a discussion not only of the content of Moore's book, but of its method, its purpose, and its political message.

Marx, in well-known passages of the Preface to *A Contribution to the Critique of Political Economy* and in Volume III of *Capital* wrote that it is the "social organization of production" that determines the political and cultural features of society, and that "the specific economic form in which unpaid surplus labor is pumped out of the direct producers" is the key to analyzing any on-going society. He clearly had in mind the qualitative structural aspects of social relationships, not quantitative economic indices. Similarly, the title of Barrington Moore's book speaks of "Social Origins" not "Economic Origins," and the distinction is hardly a matter of semantics. The Indian peasant, Moore observes, has suffered as much deprivation and poverty as the Chinese peasant. Yet while Chinese history has been punctuated by periodic widespread peasant rebellions, the last of which produced a thorough social revolution, Indian history records few examples of large-scale peasant rebellion, and the impulse toward communist revolution has been singularly weak.

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Moore's attempt to explain such contrasts as these brings out sharply the differences between a careful class analysis and vulgar economic determinism. According to Moore, the mechanisms of social cohesion embodied in the Indian caste system were far more effective in binding the lower strata of the peasant village to the existing order than were the mechanisms present in Chinese society. In China social control depended to a far greater extent upon the centralized bureaucratic apparatus, whereas the Indian caste system was a purely local affair. Indian government above the village level was traditionally little other than an unstable system of plunder and tribute; neither its periodic disappearance nor the establishment of British rule fundamentally disturbed the stability and cohesion of the village.

Moore's efforts to get at the roots of peasant behavior in various countries, when set alongside the dogmatic theorizing of many Western Marxists (both optimists and pessimists) about the working class, ought to help cure many people of the habit of deducing the consciousness and the behavior of a class either from economic statistics or from the *Communist Manifesto.*

Moore's sharpest and most explicit attacks are reserved for non-Marxists, especially for those who try to write history in terms of values and those who have sought to prove the uselessness of the notion of class in historical analysis. His book concludes with an appendix in which he refutes with their own evidence the attempts of writers to deny the class content of the English and French Revolutions.

Moving now from methodological to political considerations, we find three fairly contradictory political messages that come across to the reader from Moore's book. The first is that industrialization has universally been a brutal, authoritarian process, involving immense suffering by the lower classes; this common feature greatly overshadows whatever differences might lead one to judge one form of industrialization preferable to and more humane than another. A second message is that the bourgeois democratic route to the modern world has provided relatively more political freedom than the other two alternatives. The third message reminds the reader that bourgeois democracy was born of violent revolution and has now projected itself as a counter-revolutionary agent of immense suffering for the peoples of the underdeveloped world. Hence communist revolutionary coercion is today a progressive phenomenon.

Numerous citations could be made illustrating each of these messages, but the reader will easily discover them for himself. What is more important is to trace out some of the major implications of Moore's ambivalence, so that its more unacceptable fea-

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tures will not impair the radical's digestive process—for this book *is* a rare feast.

On page 414 Moore defines democracy as "a long and certainly incomplete struggle to do three closely related things: (1) to check arbitrary rulers, (2) to replace arbitrary rules with just and rational ones, and (3) to obtain a share for the underlying population in the making of rules." This is a definition whose limitations Moore himself soon exposes in his sympathetic account of Winstanley in the English and Babeuf in the French Revolutions. But it is also a definition which he holds in reserve in order to remain critical of communist revolution and modernization. The consequences of this show up most clearly in his discussion of India and China.

Moore holds that British policy drove a wedge between the Indian landlords and bourgeoisie, leading the latter to forge an alliance with the peasantry and introduce a parliamentary regime "that is more than a mere façade." (p. xvi) Yet he is a good enough scholar to provide the evidence which casts a great deal of doubt on this interpretation. On page 365 he cites a 1951 Indian census indicating "a close connection between landlordism and urban commercial interests"; and on page 373 he reminds us that "the landed upper classes . . . were not the object of direct attack" by Gandhi. Then, after analyzing the utter failure of post-independence agricultural policies, Moore observes that, for the peasant, "democracy does not yet exist in the Indian countryside." (p. 408) Euphemistically, Moore concludes (p. 410) that "a strong element of coercion remains necessary if a change is to be made"—in other words, India desperately needs violent revolution. In short, Moore's scholarship overcomes his political ambivalence.

The same is true of his analysis of China. At one point he writes that "the survival of a huge peasant mass . . . is at best a tremendous problem for democracy and at worst the reservoir for a peasant revolution leading to a communist dictatorship." (p. 420) In China as well as Russia, "the peasants furnished the main driving force behind the victory of a party dedicated to achieving through relentless terror a supposedly inevitable phase of history in which the peasantry would cease to exist." (p. 227) These remarks find some justification in the history of Stalinist collectivization, but nothing in post-revolutionary Chinese experience excuses this kind of savage irony.

In his book Moore makes no distinction between the Russian and the Chinese Revolutions, save to indicate that the peasantry played an even greater role in the latter than in the former. The combination of superficial endorsement of Indian "democracy"

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and hostility toward Chinese communism is an unfortunate and unnecessary flaw in an otherwise superb analysis of the history of these two countries. I use the term "unfortunate" here, rather than a stronger word, because in recent discussions with me, Dr. Moore has largely disavowed these positions. He recognizes the significant differences between Russia and China in the relationship between party and peasantry, is sympathetic to the current Cultural Revolution, and emphasizes that India's plight is the last fate he would wish upon any country.

Finally, the significance of Moore's careful analysis of the differences between the bourgeois-revolutionary route to modernization and the conservative route culminating in fascism has diminished considerably since the Second World War. If there was at one time strong justification for regarding Britain and the United States as more progressive than Germany and Japan, the grounds for making such a judgment today obviously do not exist. Germany and Japan have been made over into bourgeois democracies, their landed aristocracies having finally been liquidated, while the United States has been carrying out a foreign policy that takes a back seat neither to the Nazis in the Ukraine nor to the Japanese in China. The decisive fact today is that these are all monopoly capitalist societies. Dr. Moore's most significant contribution here is thus to point up the terrible consequences of the failure or absence of revolution and to reaffirm the classical Marxian tenet that revolutionary violence is a vital contributor to human freedom and historical progress. And, as a bonus, he has given us an unparalleled example of brilliant radical scholarship.

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AFRICAN PEASANT REVOLUTION

BY RICHARD MORROCK

Donald L. Barnett and Karari Njama, *Mau Mau From Within.* Monthly Review Press: New York, 1966. 510 pp. + 10 pp. photographs. Maps, glossary, index. $10.00.

In both subject matter and style of presentation, *Mau Mau From Within* is an unusual book. Karari Njama, one of the leaders of the Land and Freedom Army—the guerrilla movement known to the world as the Mau Mau—has written the bulk of the text in the form of his autobiography from childhood until his capture by the British. This is accompanied by Donald Barnett's excellent analysis of the peasant rebellion which tied down more than 100,000 British colonial troops between 1953 and 1956, and which initiated the process that led to the country's independence a decade later. Not only does the book provide a wealth of information about the Mau Mau rebellion, but it holds the reader's attention like an exciting novel.

The British, always the most public-relations conscious of the colonial powers, have managed to convince much of the outside world that the Mau Mau fighters were tribalist savages who opposed progress and civilization and gleefully indulged in all sorts of barbarous atrocities. The colonialists claimed for themselves the sympathy of all decent-minded people by posing as the defenders of law and order, and the protectors of the peaceful and contented African majority.

All this colonialist propaganda is effectively exposed in *Mau Mau From Within,* as the authors detail the conditions under which the Africans were forced to live throughout much of Kenya in the years prior to the rebellion. The best farmland in the colony had been alienated from the Africans and was made the exclusive preserve of a handful of European gentleman farmers. The Kikuyu—largest of the Kenya tribes, who numbered about one fifth of the total population and who had originally owned the land on which the whites settled—were packed into overpopulated Native Reserves where they were forbidden to cultivate certain cash crops. The only opportunity open for the young men was seasonal emigration in the hope of finding employment in the cities or on the white-owned farms. Racial discrimination and pass laws added their weight to the burden. In the Reserves, puppet chiefs kept the people in line for the benefit of the colonial

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authorities. The pattern was essentially the same as that prevailing today in South Africa and Rhodesia.

The authors sketch the development of the Kikuyu Central Association (KCA), a political organization formed to campaign against some of the worst injustices suffered by the Africans. The KCA found itself frustrated by the political power exercised by the white minority of only one percent. Any African who aspired to enter the middle class could be stopped by unprincipled European settlers, as, in fact, was Njama. The church and the schools, which the Africans had hoped would provide the means of access to Western civilization, were rapidly infected by racialist ideology. The Kikuyu therefore formed their own independent school system, free from white control. They also started a Kikuyu Independent Church which accepted the teachings of the Bible while permitting such traditional tribal practices as polygamy, which could be justified by reference to the Old Testament.

After the Second World War, promises of self-determination which had been made by the Allies were broken as the settlers only increased their strength through the postwar wave of immigration. The KCA turned to underground activity, initiating oathing ceremonies in which Africans—particularly Kikuyu, but also including members of other tribes—were sworn into a secret organization whose aims were independence under an African government and the return of the alienated farmland in the Rift Valley Province. The tactics agreed upon included violence, but did not exclude nonviolent forms of struggle such as boycotting European buses (an effective campaign, as we learn).

Full-scale insurrection broke out before the leaders of the underground movement had time to prepare for it. In 1952, the British, having become alarmed at the spread of the oathing ceremonies, declared a state of emergency. The KCA was outlawed, and the independent schools and churches were closed down. Most of the Kikuyu living in the capital city, Nairobi, and in the Rift Valley Province were forced to go to the Reserves. There, because of the influx of refugees, the population was reduced to the starvation level. Hunger, together with the misdeeds of the Home Guards ("loyal" Kikuyu) and the armed units of white settlers, plus the restrictions on movement imposed by the colonialists upon the peasants, drove thousands of young men and women into the mountains where they created guerrilla bands.

On the slopes of Mount Kenya and in the uninhabited forests of the Aberdares range, the Land and Freedom Army took shape. It used the forests as its base areas, and raided government posts in the Reserves, liquidating government sympathizers, informers, and puppet chiefs, while inflicting heavy casualties

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upon enemy forces. Armed with home-made and captured weapons, and without artillery or anti-aircraft, the Land and Freedom Army managed to tie down an enemy army about ten times its size for nearly four years. The British attempt to destroy the Mau Mau by raiding the forests with bombers was worse than futile. The only time any large number of soldiers was killed in an air raid was at the beginning of the war, when the British bombed their own side by mistake and killed more than forty "loyal" African troops. Undaunted, the British subsequently displayed the bodies to the peasants as "Mau Mau casualties."

Events like the foregoing give the reader an indication of how imperialist powers can cook up "victories" in colonial wars when none have actually been won. Karari Njama also relates the story of the Lari massacre, which the British spread throughout the world as evidence of Mau Mau bestiality. In the village of Lari, the Land and Freedom Army guerrillas executed the puppet chief plus several members of his family, about ten persons in all. The government forces, after reaching the village and finding the villagers unwilling to cooperate, slaughtered most of the remainder of the population. The number of dead was later exaggerated, and all of the killings were blamed on the guerrillas. The whole incident was then claimed by the British to be typical of Mau Mau tactics. This sort of prevarication is carried on by all nations engaged in such wars, as we see in our daily papers.

What broke the resistance was not military force alone, but widespread government-created starvation in the Reserves, which forced the peasants to withdraw their material support from the guerrillas. The authors estimate that about 150,000 Kikuyu starved to death during the emergency, quite aside from those killed in battle or in reprisal for guerrilla victories over the government forces.

The main strength of the Mau Mau was its identification with Kikuyu customs and traditions, particularly with those which had come under attack by the white missionaries. In this, the Mau Mau was the logical outcome of the process which had led to the formation of the KCA and the Kikuyu schools and churches. This more or less exclusive Kikuyu nationalism was also the greatest weakness of the movement, hindering its efforts to bring the other four fifths of the African population into the struggle.

Mau Mau From Within, unlike many other books about Africa, does not deal with superficialities, but goes beneath the surface. Most Western bourgeois Africanists have ignored the class struggle in Africa, preferring to see the issues as "purely" economic, tribal, or racial, depending upon the country in question. Marxist writers—both Western and Soviet—have usually de-

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scribed the class conflict in Africa in terms of organized workers versus foreign and native capitalists; this, however, passes over the role of the peasants, who in Africa form the majority of the population in nearly every country. Barnett and Njama have not only helped clear the air about one of the most misunderstood events of the last twenty years, but they have provided an illustration of the fact that peasants in Africa, given the proper set of conditions, can be as revolutionary as their counterparts in Asia, and should not be discarded by socialists in favor of the urban proletariat. This is a book well worth reading.

YUGOSLAV ECONOMIC THEORY

BY ERNEST MANDEL

Ernest Mandel is the author of the well known two-volume *Traité d'Economie Marxiste* of which Monthly Review Press will publish an English translation later this year.

Yugoslav socialism has acquired specific features, not only in practice but in theory. In practice, it is a unique combination of workers' self-management, extensive use of market mechanisms, and tight political monopoly of power by the Communist League of Yugoslavia, of which the positive side (greater workers' initiative and larger span of ideological freedom) and the negative side (increasing social inequality, increasing abdication of central planning) can be easily recognized. In theory, it is harder to seize these peculiarities, because the Yugoslav leaders have a way of formulating their ideas in a vague and fleeting manner which makes crystallization of a definite ideological trend rather difficult to achieve (perhaps that is precisely the reason why they express themselves in this way). Therefore the appearance in English of Branko Horvat's *Towards a Theory of Planned Economy* is to be welcomed.* For here we have at last an attempt at a fully rounded Yugoslav economic theory, which has at least a semi-official character.**

* Branko Horvat, *Towards a Theory of Planned Economy.* Yugoslav Institute of Economic Research: Belgrade, 1964.

** Branko Horvat is Acting Director of the Yugoslav Institute of Economic Research, member of the Economic Council of the Yugoslav Federal government, and of the Collegiate of the Yugoslav Federal Economic Planning Bureau.

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Branko Horvat started his career as an official party economist in Yugoslavia during the 1950's. But he also took a PhD in economics at Manchester University, lectured at the postgraduate school of the Institute of Social Studies in The Hague (Netherlands), and functioned as chairman of the Working Group of the Committee of Industrial Development of the United Nations. It is no exaggeration to say that he is much more an adept of the Cambridge school of welfare economics than a Marxist. Internal evidence provided by *Towards a Theory of Planned Economy* easily confirms this diagnosis.

Traditional Marxist theory starts from the assumption that the building of a socialist society is identical with the withering away of commodity production and of market mechanisms. True, most Marxist theorists have always recognized that the artificial suppression of the market immediately after the overthrow of capitalism is impossible. They have always considered that some forms of market mechanism will survive during the period of transition from capitalism to socialism (or, as others formulate it, even during the "first stage of socialism"). They have readily conceded that planning could make use of these market mechanisms in order to achieve greater efficiency. But what has nevertheless always been basic to their thinking is the assumption that, historically, there is a definite incompatibility between socialism—or, put otherwise, a classless society and a high degree of social equality and economic efficiency—and commodity production.

This conviction is founded on two fundamental bases. Commodity production inevitably generates social inequality (and Lenin even went a step further when he stated repeatedly that simple commodity production inevitably reproduces primitive capital accumulation, i.e., potential capitalism). Commodity production also inevitably produces waste of economic resources, which is inconsistent with the goal of maximizing social output and income.

Different currents of thought or political tendencies within the traditional socialist movement might strongly disagree about the amount of commodity production and market mechanisms which are unavoidable during the various stages of the period of transition from capitalism to socialism. Some might think it utopian to introduce social ownership of the means of production and central planning into an agriculture still mainly based on simple commodity-producing farms. Others, on the contrary, might think it utopian to conceive a centrally planned economy while commodity production and private ownership still dominate in the countryside. The discussions around these types of questions are well-known from the history of the Soviet Communist party from the middle 1920's to the early 1930's. But whatever dif-

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ferences have arisen among these schools of thought and action, they were bound together by a consensus about the socially objectionable character of a market economy—even if it is a necessary evil for a long period.

Western European social democracy broke with this conception some time after the Second World War, and started to conceive of market economy as basically sound and desirable. The Godesberg Program of German social democracy launched the formula: "Competition as much as possible; planning only as much as unavoidable." But one can hardly avoid the conclusion that Western European social democracy revised the classical socialist attitude toward market economy only to the extent that it rejected the classical attitude toward capitalism and socialism altogether. In fact, social democracy now openly admits its integration into bourgeois society. Its ideal nowadays is a smoothly run capitalism, purged only of its most glaring social ills: the welfare state. It follows that the classical antithesis between market economy and classless society is fully confirmed by the social democrats' option in favor of market economy, the other side of which is a frank rejection of the concept of a classless society.

The Yugoslav Communists are the first to try to reverse this antithesis. For them, market economy is not a necessary evil during the period of transition between capitalism and socialism; rather it is here to stay even after the end of the construction of socialism. Some of them still argue that commodity production will eventually wither away "under communism." But they are, in fact, inconsistent. The more consistent theorists like Horvat daringly conceive of a communist society with commodity production in full bloom.*

The pragmatic and apologetic origin of this conception is evident. What the Yugoslav theorists are really concerned with

* In order to maintain such a conception, Horvat must completely revise Marx's theory about distribution under communism, consistently defended from the *German Ideology* to the *Critique of the Gotha Programme*. He now accepts the classical bourgeois criticism of the Marxist norms, by stating that "needs or wants of human beings are limitless [*sic*] and so Marx's communism appears to be an obvious impossibility" (p. 132). As for Horvat's conception of a communist society, in which "equality" would exist side by side with a generalized money economy and generalized commodity production, it is nothing but present-day Yugoslav society on a somewhat higher level of economic development! It is easy to see how the author's lack of social imagination or inability to conceive of a type of society other than the one he is living in is a typical form of ideological inhibition or alienation, the roots of which are of course apologetic.

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is an explanation and justification of what is happening in their own country. As for the long-run theoretical implications of these justifications, they are unaware of them or, frankly, don't give a damn. This is not the only common trait between present-day Yugoslav theory and Soviet theory in the Stalin epoch.

The origins of the Yugoslav attempt to clothe the market economy with socialist respectability are not difficult to discover. After the Cominform's excommunication of Yugoslavia in 1948 and Stalin's economic blockade against that country, the Yugoslav theorists were above all concerned with the question of explaining this utterly unsocialist and unfraternal attitude of the rulers of the USSR towards their country. This question led them straight to a social critique of the Soviet state and economy. They arrived at the conclusion that centralized administrative planning inevitably strengthens bureaucracy: that this bureaucracy, enjoying a *de facto* monopoly in the disposal of social surplus product, must inevitably dominate all sectors of social life; and that such a bureaucratic monopoly of power becomes increasingly a fetter on progressive evolution toward a socialist society (as well as, incidentally, an obstacle to maximization of economic growth).

In order to avoid these pitfalls, one must strike at the root of the evil, centralized planning by administrative means: such was and is the Yugoslav contention. In order to break the stranglehold of bureaucracy over socialist society, one must set into motion processes of self-management of producers and self-government of citizens everywhere. But self-management of economic units can only be real if these units are permitted to retain the largest possible part of the social surplus which they produce. They can do this only if they escape to the maximum extent direct administrative control by the planning authorities. Hence the maximum of autonomy and of competition between economic units, and the maximum use of "elastic" market mechanisms by the planning authorities, become the chief characteristics of the ideal "model" of a socialist economy: "In order to avoid the evils of bureaucratism . . . initiative and responsibility have to be transferred downwards and kept close to the place of direct work. Consequently the enterprise, personified by the working *kollektiv*, becomes the basic economic [decision making] unit of an efficiently planned economy." (Horvat, p. 225)

From a sociological point of view, the basic weakness of Horvat's theory is the complete lack of any definition or precise description of bureaucracy. At some points, he seems to have inherited the old Stalin-school type of reasoning, which simply equates "bureaucracy" with "habits of those accustomed to lead from behind an office desk," and which is inadequate to the

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point of being ludicrous. At other points, he speaks fleetingly about "the interests of bureaucracy as a social group" (p. 86), but this concept is never elaborated nor integrated into a general analysis of the bureaucracy.

We think that from a Marxist point of view, the bureaucracy in a society emerging from the overthrow of capitalism can only be defined as *the sum total of all materially privileged elements and layers which are not private owners of the means of production.* Once we accept this definition, we can immediately discover the fatal weakness of Horvat's analysis. What he has not proved, and cannot prove, is that centralized planning by administrative means is the only or the main avenue for strengthening the bureaucracy in the period of transition from capitalism to socialism.

His only thesis—which is obvious to the point of being a tautology—is that centralized planning through administrative means is the main source of a *central* bureaucracy. But it does not follow at all that growing decentralization and substitution of market mechanisms for planning can somehow prevent the growth of *types and layers of bureaucracy* other than the functionaries of central planning boards or "industrial" ministries.

In fact, there is every reason to expect the opposite. Increased use of market mechanisms must lead to *increased inequality*—inequality between plants of the same industry; between different industrial branches, between workers of different regions, and between workers and managerial personnel in general. These assumptions of socio-economic theory are fully confirmed by the actual evolution of Yugoslav society during the last ten years, which has shown a growing inequality of income between the different republics, between workers and managers, and inside the working class itself. Therefore we arrive at the conclusion, supported by facts, that the growing use of market mechanisms *strengthens bureaucracy at plant and commune level,* exactly as over-centralized planning by administrative means strengthens it at the national level.

Economically, Horvat's argument is no more valid than it is sociologically. He is in favor of "full cost pricing" as opposed to "marginal pricing." He sets up a commonplace "guiding principle" —"the price should be set so as to equalize demand with supply"— (p. 30) and then jumps to a rather far-reaching conclusion: "Provided that the institutional set-up ensures an identity of interests of the firm and the community, profit becomes a device for a continual correcting of productive choices in the direction of achieving maximum economic efficiency." (p. 30) Consumers "exercise their free choices within the restraints of their income and their scales of preferences. This suffices to determine the

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price system. . . . Following the profit maximization rule, consumer goods industries combine their input in the most economic way and so transmit consumers' choices to producer goods industries; the latter transmit them further to each other and back to consumer goods industries. In this way, the total price-output structure of the economy is being continually determined." (p. 31)

Horvat—a Yugoslav Communist after all!—accepts only one limitation on this rather incredible imitation of the illusive "perfect" market of bourgeois liberals—that is the role of the central planning board as a periodical price adjuster (to prevent exploding cobwebs, if pure market adjustment is followed), and as a corrector of consumer "irrationality" (prohibition of drugs and liquors; subsidies for publishing books; compulsory education and free health service). What emerges resembles a bourgeois welfare state more than a socialist economy.

Horvat assumes that the profit of self-managing autonomous productive units can become a device for a continual correcting of productive choices in the direction of achieving maximum economic efficiency. But this basic assumption is unrealistic and unrealizable.

From the moment the income of the firm (and its workers) depends to a large extent upon the firm's profit realized through competition, it is *impossible* to ensure an "identity of interests of the firm and of the community." For the interest of the firm is then obviously maximization of the *firm's* profit, and this is by no means identical with maximization of national income or social welfare.

In cases where the firm enjoys a monopolistic or quasi-monopolistic position, it will tend to raise its selling price, enabling it to "equalize demand and supply" at the expense of consumer satisfaction of thousands or millions of citizens. In cases where there are one or a few big units and a number of smaller ones in the same branch of industry, competition and cooperation (price leadership!) will rapidly lead to a situation similar to that of the monopolized industry. In cases where the producing units are many and only medium-sized, fierce competition is likely to cut prices to the point of forcing many units out of the market altogether, which then entails large losses of costly machinery and large-scale unemployment. In cases where maximization of the firm's profits lead it to export all or the main part of its production, the result may very well be lack of raw material or equipment for other firms, forcing the latter to operate at low levels and entailing huge losses of social output and income.

In fact, concrete examples of all these varieties of behavior can be cited from the actual operation of the Yugoslav economy,

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at least during the last few years. Wherever we look, we have a balance-sheet of a huge amount of resources wasted or underemployed or employed in a socially inefficient way. One can argue whether this waste is globally larger or smaller than it is in an overcentralized economy of the Stalin-type. But that both entail a huge waste of resources seems rather obvious.

Nor is this all. Although Horvat mentions in passing that "equalization of demand and supply" through the market means that consumers exercise their "free choices within the restraints of their income," he does not draw any conclusions from this. But the conclusions are rather important. If consumers have different incomes, they spend their money in different proportions on different goods and services. Consequently, when the consumer goods industries simply transmit the "consumer choices" to the producer goods industries—in other words, *when investment is basically guided by effective demand*—the whole structure of industry will adapt itself to that unequal distribution of income. Luxury goods will then be produced before the needs for basic goods of the poorer parts of society are fulfilled. There will be an overproduction of washing machines before every household has a pair of good winter shoes. Investment will tend to concentrate in the richer regions at the expense of the poorer ones, in the same way as it will tend to satisfy the needs of the higher incomes before the needs of the lower ones. And even the modest "social priorities" still defended by Horvat will be subject to erosion. Liquor can, after all, meet more "effective demand" than books on sociology or philosophy, not to speak of Marxist textbooks; so firms will find it profitable to increase the output of liquor rather steeply. Financial autonomy of housing units will lead to "economic rents," i.e., a monopoly of comfortable modern housing for the bureaucracy, with workers returning to slums. The principle of a free health service will also clash with the same principle of "financial autonomy" and become more and more infringed upon. Subsidized publishing houses themselves will tend to produce more and more comic strip books and crime novels, because "consumer choices" dictate such decisions.*

* We have deliberately limited ourselves to the purely economic contradictions of Horvat's model. But it is easy to show that the social, political, and moral contradictions are no less devastating for a socialist society. Generalization and idealization of commodity production and market relations imply recognition of money values ("everything has a price" leads very quickly to "everyone has a price") as supreme values of society. The pursuit of individual enrichment becomes the universal ideal of all members of the community. This then implies fierce individual competition in all fields of social behavior, at the expense of solidarity

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Horvat tries to argue that the interest mechanism alone should govern investment. The only reservation he admits explicitly is the case of new industries. He argues that "insofar as price fluctuations can be avoided, windfall gains and undeserved losses will be avoided as well. . . . And insofar as stability is achieved, profits and losses of enterprises will depend on productive contributions of *kollektivs*." (p. 119)

This is a nearly classical *non sequitur*. Insofar as stability is achieved, profits and losses will depend *on the initial relative productivity of the firms,* combined with the productive contributions of the *kollektivs*. This means that the *kollektivs* which the accidents of birth or merger, the migrations engendered by war and revolution, the disturbances caused by industrialization and exodus from the countryside, have endowed with higher productivity, can *from the start*—and without any particular merit of their own!—hope for higher incomes than the *kollektivs* which these accidents have discriminated against. This means that important unearned incomes (results of past investment) go to some of the *kollektivs,* while losses accrue to others. Since a higher level of consumption normally stimulates productivity, and since richer *kollektivs* can afford to have more of their employees take out time for special training courses, these "gains" and "losses" of the richer and poorer *kollektivs* inevitably tend to become cumulative. Again we find at the end of Horvat's model a tendency toward an increase in social inequality.

Now Horvat himself argues convincingly that the "most egalitarian distribution of income consistent with maximum output . . . [is] the optimum distribution." (p. 124) We have already seen that this model does not provide the most egalitarian distribution of income. Does it at least provide the best arrangement for maximizing output? Here again we cannot follow him. In order to share his optimism, one must assume that firms which offer *ex ante* the highest rates of return on credits they apply for, somehow automatically also produce *ex post* the highest accretions to national output and income. We find implicit in this assumption the naive hypothesis that the maximum national output results from the sum total of each firm's attempts at individual output and profit

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and cooperation. Phenomena like widespread corruption, prostitution, venality of the pen and of the spirit, growing loss of social ideals and social idealism in youth, must then inevitably grow in such an atmosphere. It will remain a mystery how Horvat can believe that, under conditions of universal commodity and money economy, alienation of labor could disappear, whereas for Marx commodity production is precisely one of the main roots of alienation! Not to speak of "disalienated labor" which finds itself suddenly unemployed and without resources whatsoever!

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maximization. In reality, this hypothesis is wrong; and the greatest advance which socialist planning allows compared with "free enterprise" resides precisely in its capacity to provide for output and income maximization *at the national level,* which may very well entail deliberate losses (subsidies) to various individual firms.

Furthermore, the idea that *ex ante* assumptions and *ex post* results will somehow end up by coinciding, under the pressure of efforts at profit maximization, is likewise unrealistic. The anticipated rate of return will result from a sum total of concrete conditions in which the firm is called upon to demand additional credit; it will be influenced by monopolistic and quasi-monopolistic expectations described above; and it will often be influenced by incomplete information and wrong assumptions about the behavior of other firms, inevitable under conditions of competition and autonomy of investment.

We are therefore convinced that both for purposes of achieving the maximum social equality possible, and for purposes of output and income maximization on a national scale, demand and supply equalization should be achieved in many fields *a priori* through the central plan, and not *a posteriori* through the market. This holds for all goods and services which are distributed to consumers free of charge, for all goods and services in respect to which it is considered a social priority to quickly attain certain average consumption levels, as well as for the main means of production. We therefore believe that all large investment projects should be centrally determined, and that this implies to a large extent "administrated" prices of equipment. Central planning should use market mechanisms to adjust periodically prices of certain consumer goods *within these limits,* and not beyond them.

Does this model imply the growth of a heavy bureaucratic machinery, complete with purges, concentration camps, ideological monolithism, socialist realism, and the absence of any freedom of initiative by the workers at plant level? Not at all!

In the first place, it leaves ample room for freedom of initiative of *kollektivs* with regard to the optimum utilization and combination of the existing equipment and labor force, at plant level. It is for this reason that we are in any case opposed to detailed instructions from central planning boards to individual factories regarding the range of their products and their methods of production. Once the priorities are assumed, workers' councils and workers' *kollektivs* should have freedom to increase output and income by the means which are at their disposal, taking into consideration the needs of society which can be consciously formulated (through regular questionnaires addressed to factories, trade units, and consumers). The supplementary income which they can achieve

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through better combination of the given "factors of production" should to a large extent remain at their disposal, thereby furnishing an incentive for constantly overfulfilling plan targets but without disorganizing the central plan or increasing social inequality.

In the second place, Horvat and many other critics of Stalinism seem to have lost sight of a simple truth. There are two forms of centralization: bureaucratic centralization and democratic centralization. The fact that, historically in the Soviet Union, the first has followed upon the second, does not imply that this must necessarily happen always and everywhere.

It is not difficult to visualize a model of economic management and planning which, starting from workers' councils of the Yugoslav type, combines them into a federal central body which wields supreme authority and can make decisions overriding any of those made by individual workers' councils, without thereby becoming bureaucratized. It would be sufficient to impose strict conditions on the composition of that central body, following the general rules formulated by Marx in his appreciation of the Paris Commune, or by Lenin in *State and Revolution*. Provided the discussion of alternative economic plans remains free, and political and civil liberties are guaranteed to the workers, such a model would be vastly superior both to Stalinist overcentralization and Yugoslav excessive decentralization.

Our model would also have a tremendous social advantage. It would strengthen and unify the working class, whereas both the Stalinist and the Yugoslav models tend to fragment and even to atomize it. It would be obviously more ethical, because it would achieve a much larger equalization of income, and because all necessary sacrifices would be consciously accepted sacrifices. And it would in addition avoid most of the waste of resources which both bureaucratic mismanagement and market mechanisms inevitably entail. It would therefore come much nearer to a maximization of output and income than either of these models permits.

A map of the world that does not include Utopias is not worth even glancing at, for it leaves out the one country at which Humanity is always landing. And when Humanity lands there, it looks out, and, seeing a better country, sets sail. Progress is the realization of Utopias.

—Oscar Wilde, *The Soul of Man under Socialism*

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CONFRONTING THE DAMNED

BY KEITH BUCHANAN

Keith Buchanan, a frequent contributor to MR, is a professor of geography at Victoria University, Wellington, New Zealand.

For countless decades the "underdeveloped" lands, to which the French give the term "The Third World," existed as a silent and sullen appendage of the developed Euro-American world. Their peoples, two thirds of mankind, formed a "commonwealth of poverty," exploited and manipulated in the interests of a small minority within a small and affluent group of nations; they were voiceless and passive, helpless and hopeless. The decisive historical event of our epoch is the fact that, as Adolfo Gilly puts it, "the whole of humanity has erupted violently, tumultuously onto the stage of history, taking its own destiny in its hands."[1]* This stormy emergence of the Third World has created a new alignment of the major political forces impinging on our globe; around the time of the Bay of Pigs episode, the men of power in the United States were beginning to realize that the main challenge to their interests came less from the USSR than from the underdeveloped world and began to re-tool their military programs accordingly.[2]

Yet in spite of this military reflex action to the new situation, it is doubtful if the Anglo-Saxon West is yet aware of the implications of this dramatic and violent eruption of two thirds of mankind onto the world scene. Partly this is because the realities are obscured (especially for the more credulous liberals) by the "new political rhetoric" which conceals the intensity of the global counter-offensive mounted by the American power élite against progressive forces in every corner of the globe. Partly it is because much of the research into political and social conditions in the Third World—and into the forces of change—has been superficial, heavily dependent on governmental funds, and hence concerned with presenting in its results little that challenges the premises or the implementation of government policy. Partly, too, it is because much of the research is concerned (safely) with "non-problems," with topics carefully chosen to avoid confronting the interlocking interests of government, Big Business, and the military in the West and its

* Footnotes will be found at the end of the article.

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satellites, sedulously avoiding analysis of real issues in which the role of these groups in perpetuating underdevelopment in the Third World might be harshly exposed.

To the detached observer one thing is abundantly clear, however: whether or not it is yet recognized by the developed nations, the years ahead, the future of our children, these are going to be decisively shaped by those whom Fanon has called "the damned of the earth," by the colored masses of Latin America, of Africa, of Asia and by groups such as the Afro-American peoples of the United States. And this is not merely because these masses are acquiring a sense of their human dignity (and are prepared to die that they may assert it); it is also because, in the Third World, the fateful conjunction of exploding populations and stagnating economies will drive home the need for that fundamental political change without which, as Robert Heilbroner reminds us, there can be no real economic development in a backward country.

Frenchmen and Anglo-Saxons

The American war in Vietnam, our attitudes to the Chinese People's Republic, the Ghanaian or Brazilian counter-revolutions, the savage and hollow mockery of the United Nations' "Decade of Development," these expose in all its nakedness our ignorance and lack of understanding of the non-Western world. The powerlessness which has its roots in this ignorance is underlined by the failure of progressive forces to understand, still less to mount a reply, to the United States counter-revolution which, in collaboration with local élites, has achieved important temporary successes in smashing revolts or overturning "leftist" regimes throughout the length and breadth of the Third World, from the Peruvian Andes to Indonesia.

In view of the past reservations many "progressives" have felt with regard to General de Gaulle, it is strangely ironical that the French leader should be the statesman who is held in the greatest respect by many of the leaders of the emerging countries—and this because in his statements and his policies he shows the greatest awareness of Third World realities and Third World sensitivities. It is sobering to set some of his recent statements against the hypocritical double-talk of a Lyndon B. Johnson, against the specious and hollow slickness with which Harold Wilson echoes his master's voice, against the chilling lack of reality shown by many "progressive" elements when confronting the increasingly insistent aspirations of two thirds of mankind. And if we seek an explanation for Gaullist realism we may find it not only in a vision of national purpose which rings truer than

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the "free world" rhetoric of Washington but also in the careful and perceptive analyses of the Third World which have been carried out by French scholars in recent decades. These provide the basis for a French foreign policy which has replaced the unflattering image France acquired during the First Indo-Chinese War and the Algerian War with the new image of a France not only aware of, but at times spokesman for, the small and emerging nations; these studies, if we choose to use them, provide also the basis for a more effective confrontation by English-speaking progressives with the problems posed by the stormy emergence of "the damned of the earth."

Divide and Rule

We owe to the French publishing house directed by François Maspero many of these French analyses as well as many by Third World writers or politicians whose instinctive second language is French. And outstanding among Maspero's recent publications are the two double volumes of the magazine *Partisans* devoted respectively to the problems of Latin America and those of Black Africa.[3] These volumes bring together a score or so of papers, some concerned with the analysis of specific *problems* (e.g., the Indian problem in Latin America or the role of class differentiation in African societies), others focussed on specific *areas* (e.g., Brazil, Costa Rica, Nigeria, or Mozambique). Some of the writers, such as Andre Gunder Frank or Richard Morrock, are known to North American readers; others, whose work has appeared in Spanish or French, will be little known. Not only are many of them relatively new writers to the Anglo-Saxon West, they are also writers whose analysis of Third World realities is carried out with a skill and a perceptiveness rarely found in English analyses of similar problems.[4]

From all these analyses one major reality emerges—the increasing pressure of the capitalist-imperialist system on the emerging countries and the temporary successes which have been achieved by this global counter-revolution. Vietnam reminds us that in its conduct of the counter-offensive Washington has little concern for world opinion. Nevertheless, elsewhere the counter-revolution is more subtle in its tactics; the tactics themselves are not new—indeed they are based on the well-tested Roman tactic of "divide and rule"—but they are being used with a subtlety entirely absent a decade or so ago. Moreover, they are deployed behind the smokescreen of "the new political rhetoric" and, superficially, are sufficiently convincing to be able to draw on a good deal of support from the liberal academics working in these fields. The outstanding examples of this "divide and rule" tactic in an intellectual

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context are afforded by the Indian question in Latin America and the problem of classes in Black Africa. Much of the work in English published on these topics is, to quote Rodolfo Stavenhagen, based on hypotheses which are demonstrably false.

Andre Gunder Frank, thus, underlines that the currently accepted explanation of the "Indian problem" as due to cultural isolation, economic isolation, or incomplete integration into the national economy is difficult, if not impossible, to sustain. He demonstrates that the problem "has its roots in the class structure and the opposition between metropolis and satellite zones characteristic of the capitalist system" and that the Indian groups were, at a very early date, in fact *integrated* into a monopolistic system of exploitation, an integration which progressively deformed Indian society. He draws particularly on the work of Alejandro Marroquín to show how the development of Latin American capitalism led, almost without exception, to an increasing "underdevelopment" of the Indian communities. For four centuries these communities in Latin America have fought a losing battle for survival against a system of which they have been the victims; they are not likely to emerge from their condition of "underdevelopment" until that system is replaced. The problem of the Indian is thus not *lack* of economic or cultural integration in his national society; it lies rather "in his very *integration* in the structure and development of the capitalist system which produces underdevelopment in general." The general lines of Frank's thesis are akin to those advanced, in broader terms, by Gunnar Myrdal; that they apply also in those parts of Latin America where modern industry has had a major impact is demonstrated by Frank in his analysis of the Brazilian impasse.

The significance of all this is that by isolating the Indian problem, or the problem of the *Nordeste* in Brazil, by emphasizing racial or regional factors, the reality—*that it is capitalist development that creates underdevelopment*—can be masked. What is more important still, the attention of the specialist, the politician, the man in the street is diverted from an attack on the politico-economic system which is the major *cause* of underdevelopment to a harmless academic and pseudo-humanitarian preoccupation with what are merely the symptoms of society's sickness.

The studies of Gérard Chaliand and Samba Seytane in *L'Afrique dans l'épreuve* suggest that something of the same has taken place in Africa. There is of course a great linguistic and cultural diversity in Africa, and there is no doubt that this diversity was increased by the uneven pattern of free-enterprise development.[5] There is no doubt that these diversities, both tribal and national, have, in the most recent history of Africa, been

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exploited by the United States and her satellites. Yet, as the studies of the two writers just cited suggest, the impact of Western economic development (and Western aid) has created also the beginnings of a sharp class differentiation within African societies, a differentiation which may ultimately cut *across* national frontiers. Already in many territories the interests of the administrative and national bourgeoisies are poised against the increasingly assertive interests of what can only be described as the "middle" and "poor peasant" groups, and an equilibrium is maintained only by increasingly massive aid designed to shore up the existing governments. The foreshadowing, on a Pan-African scale, of a peasant unity, of a grouping of classes whose interests transcend national frontiers, is ignored by the majority of Western experts, and these are aided in their processes of "mystification" by Western-trained African leaders such as Senghor or Houphouët-Boigny who still prattle of "the classless nature of African society." And within this "classless" continent, Western and especially United States aid maintains a state of continental paralysis by the judicious juggling of funds which sets the administrative bourgeoisie of one country against its fellows elsewhere.[6] Africa remains divided—and the grip of Western (and a less effective Soviet) neo-colonialism tightens.

Fifth Column: Third World Style

In maintaining and consolidating its grip on the Third World, the West has had the advantage of a dedicated fifth column in the underdeveloped countries; this is the bourgeois group, molded by the West, still being trained for its role by various educational schemes, and now holding the reins of power. This group has been a staunch supporter of the status quo and a critical factor in the elaboration of America's global counter-revolution.

In Latin America, Andre Gunder Frank's study of Brazil reveals how recent economic development, recent "satellization" of the Brazilian economy, has "linked the local bourgeoisie, including the national bourgeoisie, to the imperialist metropolis." The metropolitan power élite and the local bourgeoisie inevitably become partners in the economic exploitation of the masses, and both have a vested interest in maintaining the political permanence of the system. The fashionable view that such a bourgeoisie can be a force bringing about a fundamental change in society by breaking the hold of the landed and military oligarchies is demolished by Stavenhagen; such groups, he points out, are economically and socially dependent on the upper groups, are tied politically to the dominant class, are conservative and by their very nature defenders of the existing system.

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In Africa the situation is even clearer, since there the dominant group, the parliamentary and administrative bourgeoisie, is entirely an artificial creation of colonialism, lacking any deep roots in society, lacking even the veneer of tradition which history has given similar classes in Latin America. This bourgeoisie is insignificant in terms of numbers—Samba Seytane estimates that together the national bourgeoisie and the "parliamentary" bourgeoisie make up less than 0.4 percent of the population of Senegal and approximately one percent of the population of the Ivory Coast—yet, since they are "using the state as their instrument of accumulation," they absorb or deflect to their use a major share of the scanty wealth of the continent and are thus a major factor prolonging underdevelopment. In the Congo (Brazzaville), 62 percent of all governmental expenditure is accounted for by the 11,000 civil servants (out of a total population of 826,000); in the Central African Republic administrative expenses absorb 58 percent of the national budget; in Dahomey 64.9 percent. This group is also responsible for a gross distortion of the pattern of imports, with a wastage of precious external funds on items irrelevant to the needs of a developing country. Thus analysis of the import figures for the French-speaking African states shows that the import of perfumes costs these countries almost as much as the import of fertilizers, that the import of alcohol costs almost as much as the combined import value of such desperately needed items as agricultural machinery, tractors, and farm tools.

The depredations of these parasitic groups can lead only to economic chaos; but, since these Western-trained, Western-oriented groups stand for stability in the eyes of the West, the effects of this chaos are mitigated by external financial aid.[7] And with such aid come the inevitable external pressures which swiftly reduce the country to what Nkrumah termed "client-sovereignty," pressures which, no less than the more blatant military pressures, are an integral part of America's counter-revolutionary drive, and which are exerted through the administrative and national bourgeoisies.

From Castelo Branco to the Chinese "Cultural Revolution"

The major reality which emerges from these two French symposia is, indeed, the critical role of these bourgeois groups in prolonging "underdevelopment" and their critical role in the consolidation of American neo-colonialism over much of Latin America and Africa. And the major moral which emerges is that real progress towards an independent, self-reliant, and balanced economy and an end to client status are possible only if the political and economic power of such bourgeois groups is completely and

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finally broken. The examples of Brazil and Guinea, the more recent example of Ghana, show clearly what happens when, behind a façade of "socialism," their power is left intact; how, from their key positions in the political, economic, and cultural structure, they are able to corrupt and deflect the whole pattern of emergence. Against such a global background, against the background of America's global strategy of counter-revolution, China's "Cultural Revolution" is seen to possess a logic ignored or glossed over by the majority of Western commentators.

1. Introduction to Frantz Fanon, *Studies in a Dying Colonialism,* p. 1.

2. Paul Booth, "Confronting the American Leviathan," *New Left Notes* (Chicago), August 24, 1966, p. 21.

3. "L'Amérique latine en marche," *Partisans* (Paris), Nos. 26/27, 1966, and "L'Afrique dans l'épreuve," *Partisans,* Nos. 29/30, 1966.

4. One outstanding exception is Perry Anderson's *Portugal and the End of Ultracolonialism.*

5. Which created major gradients of wealth and poverty between, say, southern Ghana and the rest of the country, between the plantation zone of the Ivory Coast and the interior, and so on.

6. Thus, the Organization for African Unity (which met 49 times between 1957 and 1965) consists largely of leaders who are "local hangers-on of imperialism"; it has been, behind a verbal smoke-screen, greatly concerned with the *status quo* and from its inception has tended to restrain the revolutionary potential of Africa.

7. The major recipients of United States aid in Africa in 1965 were Congo (L), Guinea (surely one of the few "socialist" states to receive sizable United States aid, plus $75 million of United States private investments), Liberia, Morocco, and Tunisia (the aid to the latter country being, to judge from Bourguiba's policies, highly effective).

One man owns a machine which does the work of five hundred men. Five hundred men are, in consequence, thrown out of employment, and, having no work to do, become hungry and take to thieving. The one man secures the produce of the machine and keeps it and has five hundred times as much as he should have, and probably, which is of much more importance, a great deal more than he really wants. Were that machine the property of all, everyone would benefit by it.

—Oscar Wilde, *The Soul of Man under Socialism*

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(*continued from inside front cover*)

The intense interest in current developments in China has generated an extraordinarily large demand for the January issue containing the Review of the Month on "The Cultural Revolution in China." Our stock of that issue is almost exhausted, and unless we can replenish it we shall soon have to refuse orders. So please, if you do not save your MR's and if you have not thrown the January issue away, send it to us as soon as possible. For every copy received we will give you, on request, a copy of J. P. Morray's book, *The Second Revolution in Cuba*, or of REVIEW 1, the experimental 95-page arts supplement which we published a couple of years ago.

Paul Sweezy is considering the possibility of a more or less extensive tour of university campuses in the fall, probably beginning in late October. The itinerary would of course depend on prior arrangement of speaking engagements. The sooner we hear from interested parties, the easier it will be to decide whether the project is worth going ahead with.

A. Gunder Frank, author of MR Press book *Capitalism and Underdevelopment in Latin America* (published on March 22) and now Professor of Economics at Sir George Williams University in Montreal, was invited along with other interested academics (and some non-academics including Paul Sweezy) to participate in a conference on United States foreign policy at the Center for Research and Education (a joint project of the higher educational institutions of the State of Colorado) at Estes Park, March 19-23. Frank, a West German citizen, applied for a visa in January. On March 14th he wired the Center that he wouldn't be able to attend because the visa request had not been acted upon. This "waiting until too late" is a typical State Department strategem to avoid having to say no and thus incurring an accusation of censorship. But in this case it looks as though it won't work. The *New York Times* of March 17th carried a story on the case, and those responsible for organizing the conference at the Colorado Center seem determined not to let the matter drop. We would like to ask MR readers to take advantage of publicity given the case to focus attention on Frank's book which, in our judgment, is one of the most important ever written on Latin American history. A letter addressed to Secretary of State Rusk by an organizer of the Estes Park conference states, *inter alia*: "An interesting side note is the position taken by the [State] Department with regard to certain articles written by Professor Frank and published in the *Nation* and MONTHLY REVIEW. These articles, which the office of the Attorney General considers to be subversive, were commended at the time by Senator Ernest Gruening and by members of various faculties in U.S. universities." By the standards of the Attorney General and the State Department, we might add, the book is even more "subversive."

Dr. Donald Barnett, author of the MR Press book, *Mau Mau From Within*, is under fire from the administration of the University of Iowa, where he teaches anthropology, for having refused to cooperate with the selective service system by turning in his students' grades. His latest news release states that the university administration has tried to keep students out of his spring semester classes by threatening to give them no course credit, is withholding his pay, and has threatened to institute proceedings for his immediate dismissal. Dr. Barnett is determined to stand firm, but the financial strain for a married man with four children is obviously enormous. We invite readers to send their contributions to: Ad Hoc Committee To Defend Academic Freedom and Barnett, P.O. Box 84, Iowa City, Iowa 52240.

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A GIFT TO MR READERS

MONTHLY REVIEW has received a gift of 100 copies of *Foundations of Capitalism* and 100 copies of *Capitalism and American Leadership,* both written by Dr. Oliver C. Cox, professor of sociology, Lincoln University, Missouri. We take pleasure in passing this bonanza on to MR readers.

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